

**SURREY TOWNSHIP**  
*18-1150*  
**Clare County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditor's Report**  
**June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Surrey Township</b>	LOCAL AUDIT & FINANCE DIV. <b>Clare</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/13/04</b>	Date Accountant Report Submitted to State: <b>12/20/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following: "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name)

**Yeo & Yeo, CPAs & Business Consultants**

Street Address

**6018 Eastmen Ave.**

City

**Midland**

State

**MI**

ZIP

**48642**

Accountant Signature

*Michael J. Yeo*

Date

**12.20.04**

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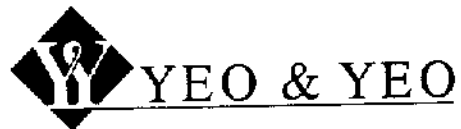
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**SURREY TOWNSHIP**  
**List of Elected and Appointed Officials**  
**June 30, 2004**

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TOWNSHIP BOARD

NANCY JONES	SUPERVISOR
CAROL DIXON	CLERK
ESTHER PITCHFORD	TREASURER
RUSSELL HAMILTON	TRUSTEE
DAVID COKER, JR.	TRUSTEE



## Independent Auditors' Report

To the Members of the Township Council  
Surrey Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Surrey Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Surrey Township as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2004, on our consideration of Surrey Township's internal control over financial reporting and on our tests of its provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Surrey Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Midland, Michigan

September 13, 2004

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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Surrey Township (the "Township"), Michigan is in its first year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

This is the first financial report presented in the format required by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 issued in June of 2000. Certain comparative information, ordinarily required, is not available the first year that the financial statements are prepared according to GASB 34 guidelines. Subsequent reports will include a prior year comparison of results.

### **Overview of Financial Statements**

The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

### **Government-wide Financial Statements:**

The Government-wide statements are new and provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, library, fire protection, and rubbish collection funds, each of which are considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

**SUMMARY OF NET ASSETS:**

**Township's Net Assets**

The following summarizes the Township's net assets at fiscal year ended June 30, 2004.

<b>Assets</b>	
Current assets	\$ 824,589
Capital assets	2,388,920
Less accumulated depreciation	<u>(961,306)</u>
Total capital assets	<u>1,427,614</u>
Total assets	<u>2,252,203</u>
<b>Liabilities</b>	
Current liabilities	146,046
Long-term liabilities	<u>349,493</u>
Total liabilities	<u>495,539</u>
<b>Net assets</b>	
Investment in capital assets, net of related debt	1,168,438
Restricted for debt service	8,199
Unrestricted	<u>580,027</u>
Total net assets	<u>\$ 1,756,664</u>

A portion of the Township's net assets (66%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Township's Changes in Net Assets**

**Revenues:**

Program revenue	
Charges for services	\$ 98,376
Operating grants and contributions	47,106
Capital grants and contributions	68,000
General revenue:	
Property taxes	403,132
Special assessments	186,439
State share revenue	212,268
Interest and investment earnings	17,267
Miscellaneous	<u>8,846</u>
Total revenues	<u>\$ 1,041,434</u>

During the fiscal year ended June 30, 2004, the Township's net assets decreased by \$55,419.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Surrey Township, assets exceeded liabilities by \$1,756,664.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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**Expenses:**

General government	\$	198,873
Public works		180,396
Library		265,302
Fire protection		236,965
Rubbish collection		79,363
Interest on long-term debt		11,907
Other		<u>124,047</u>
Total expenses		1,096,853
Change in net assets		(55,419)
Net assets - beginning		<u>1,812,083</u>
Net assets - ending	\$	<u><u>1,756,664</u></u>

**Governmental activities**

The Township's total governmental revenue increased by \$122,945 from last fiscal year. This was primarily attributed an increase in property taxes revenue of \$24,738 and two one time grants received in 2004. One was received from Herbert H. and Grace A. Dow Foundation in the amount of \$68,000 to be used for remodeling and furnishing two rooms in the library and a second grant was received from Federal Emergency Management Agency in the amount of \$47,106 to be used for purchase of fire equipment. Expenses increased by approximately \$110,000. The increase was attributable to increased operating costs, as well as increased in capital outlay.

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$746,122, a decrease of \$19,120 in comparison with the prior year. Approximately 90% of this amount (\$737,923) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$354,296. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 86% of total general fund expenditures.

The fund balance of the General Fund decreased by \$112,895 during the current fiscal year. This is primarily attributable to increase in expenses to Clare County Road Commission for roads repairs and maintenance.

The fund balance of the Library Fund increased by \$31,585 during the current fiscal year.

The fund balance of the Fire Protection Fund decreased by \$12,831 during the current fiscal year.

The fund balance of the Rubbish Collection Fund increased by \$31,321 during the current fiscal year.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

**Capital Assets and Debt Administration**

**Capital Assets**

The Townships investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$1,427,614 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	-	3,000	-	3,000
Buildings and improvements	787,733	372,704	-	1,160,437
Furniture and equipment	315,550	127,342	-	442,892
Vehicles	707,721	-	-	707,721
Capital assets	1,885,874	503,046	-	2,388,920
Less:				
Accumulated depreciation	(884,189)	(77,117)	-	(961,306)
Governmental activities capital assets, net	\$ 1,001,685	\$ 425,929	\$ -	\$ 1,427,614

**Long-term Debt**

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$417,072.

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Special assessment bonds	\$ 263,489	\$ -	\$ 27,126	\$ 236,363
Notes payable	233,715	205,911	258,917	180,709
	\$ 497,204	\$ 205,911	\$ 286,043	\$ 417,072

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2003-2004, the Township received \$201,212 in state shared revenue, representing 64% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

**Request for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Surrey Township, Clare County, Michigan.

**Township of Surrey**  
**Statement of Net Assets**  
**June 30, 2004**

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**Assets**

Current assets

Cash and cash equivalents	\$ 657,723
Certificates of deposit	103,703
Due from other governmental units	39,463
Prepaid expenditures	<u>23,700</u>

Total current assets

824,589

Noncurrent assets

Capital assets

Land	74,870
Land improvements	3,000
Buildings and improvements	1,160,437
Equipment and furniture	442,892
Vehicles	707,721
Less: accumulated depreciation	<u>(961,306)</u>

Total noncurrent assets

1,427,614

Total assets

2,252,203

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Statement of Net Assets**  
**June 30, 2004**

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**Liabilities**

Current liabilities

Accounts payable

78,467

Current portion of bonds payable

67,579

Total current liabilities

146,046

Noncurrent liabilities

Bonds payable - long-term portion

349,493

Total noncurrent liabilities

349,493

Total liabilities

495,539

**Net Assets**

Invested in capital assets, net of related debt

1,168,438

Restricted for:

Debt service

8,199

Unrestricted

580,027

Total net assets

\$ 1,756,664

**Township of Surrey**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 198,873	\$ 13,348	\$ -	\$ -	\$ (185,525)
Public works	187,396	-	-	-	(187,396)
Library	265,302	53,746	-	68,000	(143,556)
Fire protection	236,965	31,282	48,106	-	(157,577)
Rubbish collection	79,363	-	-	-	(79,363)
Interest on long-term debt	11,907	-	-	-	(11,907)
Other	117,047	-	-	-	(117,047)
<b>Total governmental activities</b>	<b>\$ 1,096,853</b>	<b>\$ 98,376</b>	<b>\$ 48,106</b>	<b>\$ 68,000</b>	<b>(882,371)</b>

General revenues	
Property taxes, levied for general purposes	403,132
General revenue	186,439
State shared revenue	212,268
Interest and investment earnings	17,267
Miscellaneous	7,846
<b>Total general revenues and transfers</b>	<b>826,952</b>
<b>Change in net assets</b>	<b>(55,419)</b>
<b>Net assets - beginning</b>	<b>1,812,083</b>
<b>Net assets - ending</b>	<b>\$ 1,756,664</b>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 207,424	\$ 133,784	\$ 148,310	\$ 107,110	\$ 61,095	\$ 657,723
Certificates of deposit	103,703	-	-	-	-	103,703
Due from other governmental units	39,463	-	-	-	-	39,463
Prepaid expenses	9,057	-	14,643	-	-	23,700
<b>Total assets</b>	<u>\$ 359,647</u>	<u>\$ 133,784</u>	<u>\$ 162,953</u>	<u>\$ 107,110</u>	<u>\$ 61,095</u>	<u>\$ 824,589</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 5,351	\$ -	\$ 54,427	\$ 2,713	\$ 15,976	\$ 78,467
<b>Fund Balance</b>						
Reserved	-	-	-	-	8,199	8,199
Unreserved	354,296	133,784	108,526	104,397	36,920	737,923
<b>Total fund balance</b>	<u>354,296</u>	<u>133,784</u>	<u>108,526</u>	<u>104,397</u>	<u>45,119</u>	<u>746,122</u>
<b>Total liabilities and fund balance</b>	<u>\$ 359,647</u>	<u>\$ 133,784</u>	<u>\$ 162,953</u>	<u>\$ 107,110</u>	<u>\$ 61,095</u>	<u>\$ 824,589</u>

**Township of Surrey**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Assets**  
**For the Year Ended June 30, 2004**

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**Total fund balances for governmental funds** \$ 746,122

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$ 74,870	
Land improvements	3,000	
Buildings and additions	1,160,437	
Equipment and furniture	442,892	
Vehicles	707,721	
Less: accumulated depreciation	<u>(961,306)</u>	1,427,614

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Balances as of June 30, 2004 are as follows:

Bonds payable	<u>(417,072)</u>	<u>(417,072)</u>
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**Net assets of governmental activities** \$ 1,756,664

**Township of Surrey**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2004**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 88,028	\$ 150,061	\$ 165,043	\$ -	\$ -	\$ 403,132
Licenses and permits	3,548	-	-	-	-	3,548
County penal fines	-	46,525	-	-	-	46,525
State shared revenue	201,212	9,272	-	-	1,784	212,268
Special assessments	-	-	-	104,832	81,607	186,439
Grants	-	68,000	47,106	-	-	115,106
Charges for services	9,800	7,221	31,282	-	-	48,303
Interest income	6,063	1,200	734	625	8,645	17,267
Donations	-	-	1,000	-	-	1,000
Equipment sales	-	-	150	-	-	150
Other revenue	5,368	1,475	853	-	-	7,696
<b>Total revenues</b>	<b>314,019</b>	<b>283,754</b>	<b>246,168</b>	<b>105,457</b>	<b>92,036</b>	<b>1,041,434</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	187,554	-	-	-	-	187,554
Public works	187,396	-	-	-	-	187,396
Other	35,498	-	-	-	-	35,498
Library	-	252,169	-	-	-	252,169
Fire Protection	-	-	448,444	-	-	448,444
Rubbish collection	-	-	-	74,136	-	74,136
Capital projects	-	-	-	-	37,718	37,718
Surrey lake improvement	-	-	-	-	22,088	22,088
Lake 13 improvement	-	-	-	-	19,959	19,959
Sheriff's contract	-	-	-	-	1,784	1,784
<b>Debt service</b>						
Principal redemption	-	-	-	-	28,039	28,039
Interest	-	-	-	-	11,907	11,907
<b>Total expenditures</b>	<b>410,448</b>	<b>252,169</b>	<b>448,444</b>	<b>74,136</b>	<b>121,495</b>	<b>1,306,692</b>
<b>Excess of revenues over expenditures</b>	<b>(96,429)</b>	<b>31,585</b>	<b>(202,276)</b>	<b>31,321</b>	<b>(29,459)</b>	<b>(265,258)</b>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2004**

	<u>General</u>	<u>Library</u>	<u>Fire Protection</u>	<u>Rubbish Collection</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>						
Loan proceeds	-	-	205,911	-	-	205,911
Transfers in	-	-	-	-	32,932	32,932
Transfers out	(16,466)	-	(16,466)	-	-	(32,932)
Total other financing sources and uses	(16,466)	-	189,445	-	32,932	205,911
Net change in fund balance	(112,895)	31,585	(12,831)	31,321	3,473	(59,347)
Fund balance - beginning	467,191	102,199	121,357	73,076	41,646	805,469
Fund balance - ending	<u>\$ 354,296</u>	<u>\$ 133,784</u>	<u>\$ 108,526</u>	<u>\$ 104,397</u>	<u>\$ 45,119</u>	<u>\$ 746,122</u>

**Township of Surrey**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2004**

		Primary Government
<b>Net change in fund balances - total governmental funds</b>		<b>\$ (59,347)</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets greater than \$2,000 is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	\$ (77,117)	
Capital assets additions	<u>913</u>	(76,204)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued	(205,911)	
Repayments of long-term debt	<u>286,043</u>	<u>80,132</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ (55,419)</u></b>

**Township of Surrey**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2004**

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**Assets**

Cash and cash equivalents	<u>\$ 10,253</u>
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**Liabilities**

Due to other governmental units	<u>\$ 10,253</u>
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See Accompanying Notes to Financial Statements

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Surrey Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**Reporting entity**

The Township is governed by an elected five-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

**Government-wide financial statements**

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Township's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are

available, restricted resources are applied first.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Library Fund is used to account for Library activities of the Township.
- The Fire Protection Fund is used to account for Fire Protection activities of the Township.
- The Rubbish Collection fund is used to account for Rubbish Collection activity of the Township.

Additionally, the Township reports the following:

*Capital Projects Fund* – The Capital Projects Fund is used to account for the acquisition of capital facilities, infrastructure or equipment by the Township.

*Surrey Lake Improvement Fund* – The Surrey Lake Improvement Fund accounts for proceeds from special assessments that are

legally restricted for Surrey Lake Improvement expenditures.

*Lake 13 Improvement Fund* – The Lake 13 Improvement Fund accounts for proceeds from special assessments that are legally restricted for Lake 13 Improvement expenditures.

*Liquor Law Enforcement Fund* – The Liquor Law Enforcement Fund accounts for proceeds from liquor law enforcement that are legally restricted for liquor law enforcement expenditures.

*Lake 13 Road* – The Lake 13 Fund accounts for proceeds from special assessments that are legally restricted for debt service.

*Surrey Lake Road* – The Surrey Lake Road Fund accounts for proceeds from special assessments that are legally restricted for debt service.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

**Property tax revenue**

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 15. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, the Farwell Area School District and the Clare Gladwin Regional Education Service District's property taxes.

Taxes collected on behalf of the school districts and Clare County are turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

The State equalized value of real and personal property located in the Township for the year ended June 30, 2004, totaled \$76,887,710, representing 50% of estimated current value. Taxable value totaled \$76,118,715. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate
General operating	0.6339	0.700
Fire	2.5000	3.000
Library - operating	1.9563	2.000
	<u>5.0902</u>	<u>5.700</u>

**Assets, liabilities and net assets or equity**

*Cash and investments* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments are stated at fair value, (quoted market price or the best available estimate).

*Receivables and payable* – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

*Prepaid items* – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include buildings and improvements, land improvements, furniture and equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

All capital assets are depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	25 to 50 years
Furniture, equipment and vehicles	5 to 10 years

*Long-term obligations* - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

*Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Comparative data**

Comparative data is not included in the Township's financial statements.

#### **Reclassification**

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

#### **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

P.A. 621 of 1978 section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted at the functional level. During the year ended June 30, 2004, the Township incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Roads, highways and street lights	145,000	149,254	4,254
Library Fund			
Maintenance and repair	1,500	4,836	3,336
Fire Fund	437,085	464,910	27,825

#### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

The governing body has designated one bank for deposit of local unit funds. The investment policy adopted by the Council authorized all of the investments allowable under Michigan law.

The Surrey Township deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Certificates of Deposit
Governmental activities	\$ 657,723	\$ 103,703
Fiduciary assets	10,253	-
Total	<u>\$ 667,976</u>	<u>\$ 103,703</u>

**Deposits**

At year end, the carrying amount of the Township's deposits with financial institutions was \$771,679 and the bank balance was \$803,115. Of the bank balance, \$192,217 was covered by federal depository insurance and \$610,898 was uninsured and uncollateralized.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	-	3,000	-	3,000
Buildings and improvements	787,733	372,704	-	1,160,437
Furniture and equipment	315,550	127,342	-	442,892
Vehicles	707,721	-	-	707,721
Capital assets being depreciated	<u>1,885,874</u>	<u>503,046</u>	<u>-</u>	<u>2,388,920</u>
Less accumulated depreciation for				
Land improvements	-	(200)	-	(200)
Buildings and improvements	(241,491)	(21,225)	-	(262,716)
Furniture and equipment	(272,546)	(16,030)	-	(288,576)
Vehicles	(370,152)	(39,662)	-	(409,814)
Accumulated depreciation	<u>(884,189)</u>	<u>(77,117)</u>	<u>-</u>	<u>(961,306)</u>
Governmental activities capital assets, net	<u>\$ 1,001,685</u>	<u>\$ 425,929</u>	<u>\$ -</u>	<u>\$ 1,427,614</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Government activities</b>	
General government	\$ 11,319
Library	13,133
Fire protection	47,438
Rubbish collection	<u>5,227</u>
Total governmental activities	<u>\$ 77,117</u>

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers consist of the following :

	Transfers Out		
	General Fund	Fire Fund	Total
Transfers to			
Capital Projects Fund	<u>\$ 16,466</u>	<u>\$ 16,466</u>	<u>\$ 32,932</u>

These transfers were made to cover the costs of the addition to the Fire/Township hall addition.

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of long-term debt entered into on behalf of the Surrey Lakes Special Assessment District, Lake 13 Special Assessment District and the Township's fire truck notes payable.

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Special assessment bonds				
Surrey Lake Roads due in annual installments of \$11,851 to \$16,787 through August 2009 at 5.1%	\$ 101,717	\$ -	\$ 12,455	\$ 89,262
Lake 13 due in annual installments of \$13,973 to \$21,676 through August 2011 at 5%	161,772	-	14,671	147,101
Notes payable				
Farwell State Bank Fire Truck Loan due in annual installments of \$14,562 to \$44,057 through October 2008 at 4.00%	-	205,911	25,202	180,709
USDA Fire Truck Loan due in annual installments of \$15,817 to \$20,647 through January 2017 at 4.75%	203,090	-	203,090	-
Farwell State Bank Fire Truck Loan due in annual installments of \$13,805 to \$46,764 through April 2005 at 4.70%	30,625	-	30,625	-
	<u>\$ 497,204</u>	<u>\$ 205,911</u>	<u>\$ 286,043</u>	<u>\$ 417,072</u>

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

Future principal and interest requirements for the special assessment bonds to be paid out of the debt retirement fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2005	\$ 28,495	\$ 11,907	\$ 40,402
2006	29,933	10,470	40,403
2007	31,444	8,959	40,403
2008	33,030	7,373	40,403
2009	34,697	5,706	40,403
2010-2013	78,764	7,155	85,919
	<u>\$ 236,363</u>	<u>\$ 51,570</u>	<u>\$ 287,933</u>

Future principal and interest requirements for the notes payable to be paid out of the fire fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2005	\$ 39,084	\$ 6,517	\$ 45,601
2006	40,675	4,925	45,600
2007	42,332	3,268	45,600
2008	44,057	1,543	45,600
2009	14,561	119	14,680
	<u>\$ 180,709</u>	<u>\$ 16,372</u>	<u>\$ 197,081</u>

**NOTE 7 - RISK MANAGEMENT**

The Township purchases commercial insurance to provide workers' compensation insurance, general liability, and property insurance. The Township also purchases commercial health insurance to cover health expenses for certain eligible employees. There were no significant reductions in insurance coverage from the prior year. Settlements from insurance providers have not exceeded insurance coverage for any of the past three years.

**NOTE 8 - ECONOMIC DEPENDENCY**

The Township received approximately 66% of their General Fund revenue from the Michigan Department of Treasury. Due to the significance of this revenue source, the Township is considered to be economically dependent on the Michigan Department of Treasury.

**NOTE 9 - ZONING AND ENFORCEMENT**

The State of Michigan requires local governmental units to restrict any surpluses during a year for zoning administration activities. The surpluses are to be carried over to subsequent years to fund future activity. Surrey Township had no surplus during the year ended June 30, 2004.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township contributes to a defined contribution retirement plan which covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$7,259 and \$7,238 for the years ended June 30, 2004 and 2003, respectively. Payment to the plan represents the only liability of the Township.

**NOTE 11 - ACCOUNTING AND REPORTING CHANGE**

**GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Surrey Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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Township has elected to implement both the general provisions of the statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets includes assets not previously accounted for by the Township as well as assets totaling approximately \$1,885,874 that would previously have been reported in the General Fixed Assets Account Group. Accumulated depreciation of \$884,189 has also been recorded as of July 1, 2003 to reflect depreciation of the assets in prior years. The Township does not own any roads and bridges and accordingly no infrastructure has been recognized as capital assets.
- The governmental activities column includes bonds and other long-term obligations totaling \$497,204 previously reported in the General Long-Term Debt Account Group.

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Budget
<b>Revenues</b>				
Taxes	\$ 54,668	\$ 54,668	\$ 88,028	\$ 33,360
License and permits	2,400	2,400	3,548	1,148
State shared revenue	216,421	218,852	201,212	(17,640)
Charges for services	33,750	33,750	9,800	(23,950)
Interest income	6,000	6,000	6,063	63
Other revenue	3,300	3,883	5,368	1,485
Other financing sources				
Transfer from fire fund	28,250	28,250	-	(28,250)
<b>Total revenues and other sources</b>	<b>344,789</b>	<b>347,803</b>	<b>314,019</b>	<b>(33,784)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Township board	113,998	113,998	84,904	(29,094)
Supervisor (Assessor)	38,170	41,657	37,823	(3,834)
Elections	5,300	5,300	413	(4,887)
Clerk	22,658	22,658	22,344	(314)
Board of review	1,400	1,400	1,053	(347)
Treasurer	21,667	21,667	20,683	(984)
Township hall	21,550	21,550	20,334	(1,216)
<b>Public Works</b>				
Cemetery	27,650	36,367	33,044	(3,323)
Roads, highways and street lights	138,000	145,000	149,254	4,254
Sanitary landfill	6,000	6,000	5,098	(902)
<b>Other expenditures</b>				
USDA siren system	15,600	15,600	15,600	-
Recreation	5,400	2,400	2,115	(285)
Planning and zoning	59,300	55,300	17,783	(37,517)

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Budget
Other financing uses				
Transfer to capital projects fund	15,912	16,512	16,466	(46)
Total expenditures and other uses	492,605	505,409	426,914	(78,495)
Net change in fund balance	(147,816)	(157,606)	(112,895)	44,711
Fund balance - beginning	467,191	467,191	467,191	-
Fund balance - ending	<u>\$ 319,375</u>	<u>\$ 309,585</u>	<u>\$ 354,296</u>	<u>\$ 44,711</u>

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Library Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
State revenue	\$ 4,034	\$ 4,034	\$ 9,272	\$ 5,238
Property taxes	147,340	147,340	150,061	2,721
County penal fines	46,525	46,525	46,525	-
Charges for services	7,221	7,221	7,221	-
Interest income	800	800	1,200	400
Grants	68,000	68,000	68,000	-
Miscellaneous	500	500	1,475	975
Total revenues and other sources	274,420	274,420	283,754	9,334
<b>Expenditures</b>				
Wages and benefits	106,452	106,452	91,670	(14,782)
Operating supplies	5,000	5,000	15,932	10,932
Books and periodicals	39,146	39,146	33,110	(6,036)
Communications	3,000	3,000	2,335	(665)
Insurance and bonds	2,000	2,000	2,259	259
Utilities	8,452	8,452	7,581	(871)
Repairs and maintenance	1,500	1,500	4,836	3,336
Equipment purchases	78,000	78,000	68,531	(9,469)
Membership dues	4,608	4,608	4,093	(515)
Training and education	2,500	2,500	486	(2,014)
Building fund	20,262	20,262	20,538	276
Miscellaneous	3,500	3,500	798	(2,702)
Total expenditures and other uses	274,420	274,420	252,169	(22,251)
Net change in fund balance	-	-	31,585	31,585
Fund balance - beginning	102,199	102,199	102,199	-
Fund balance - ending	\$ 102,199	\$ 102,199	\$ 133,784	\$ 31,585

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Fire Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues	183,422	389,333	452,079	62,746
Expenditures	216,754	437,085	464,910	27,825
Net change in fund balance	(33,332)	(47,752)	(12,831)	34,921
Fund balance - beginning	121,357	121,357	121,357	-
Fund balance - ending	<u>\$ 88,025</u>	<u>\$ 73,605</u>	<u>\$ 108,526</u>	<u>\$ 34,921</u>

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Rubbish Collection Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues	\$ 104,046	\$ 104,046	\$ 105,457	\$ 1,411
Expenditures	104,046	104,046	74,135	(29,911)
Net change in fund balance	-	-	31,321	31,321
Fund balance - beginning	73,076	73,076	73,076	-
Fund balance - ending	<u>\$ 73,076</u>	<u>\$ 73,076</u>	<u>\$ 104,397</u>	<u>\$ 31,321</u>

**Township of Surrey**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2004**

	<u>NonMajor Special Revenue Funds</u>		<u>NonMajor Debt Service Funds</u>		
	<u>Surrey Lake Improvement Fund</u>	<u>Lake 13 Improvement Fund</u>	<u>Lake 13</u>	<u>Surrey Lake Road</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	<u>\$ 16,612</u>	<u>\$ 36,284</u>	<u>\$ 3,289</u>	<u>\$ 4,910</u>	<u>\$ 61,095</u>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts payable	<u>\$ -</u>	<u>\$ 15,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,976</u>
Fund Balance					
Reserved	-	-	3,289	4,910	8,199
Unreserved	<u>16,612</u>	<u>20,308</u>	<u>-</u>	<u>-</u>	<u>36,920</u>
Total fund balance	<u>16,612</u>	<u>20,308</u>	<u>3,289</u>	<u>4,910</u>	<u>45,119</u>
Total liabilities and fund balance	<u>\$ 16,612</u>	<u>\$ 36,284</u>	<u>\$ 3,289</u>	<u>\$ 4,910</u>	<u>\$ 61,095</u>

**Township of Surrey**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2004**

	NonMajor Special Revenue Funds			NonMajor Debt Service Funds			Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Liquor Law Enforcement Fund	Lake 13	Surrey Lake Road	NonMajor Capital Projects	
<b>Revenues</b>							
State revenue	\$ -	\$ -	\$ 1,784	\$ -	\$ -	\$ -	\$ 1,784
Special assessments	7,920	31,111	-	24,732	17,844	-	81,607
Interest income	8,340	147	-	30	96	32	8,645
Total revenues and other financing sources	16,260	31,258	1,784	24,762	17,940	32	92,036
<b>Expenditures</b>							
Surrey lake improvement	22,088	-	-	-	-	-	22,088
Lake 13 improvement	-	19,959	-	-	-	-	19,959
Building construction costs	-	-	-	-	-	37,718	37,718
Liquor law enforcement	-	-	1,784	-	-	-	1,784
Debt service							
Principal redemption	-	-	-	14,947	13,092	-	28,039
Interest	-	-	-	7,355	4,552	-	11,907
Total expenditures	22,088	19,959	1,784	22,302	17,644	37,718	121,495
Excess (deficiency) of revenues over expenditures	(5,828)	11,299	-	2,460	296	(37,686)	(29,459)
Other financing sources							
Transfers in	-	-	-	-	-	32,932	32,932
Net change in fund balance	(5,828)	11,299	-	2,460	296	(4,754)	3,473
Fund balance - beginning	22,440	9,009	-	829	4,614	4,754	41,646
Fund balance - ending	\$ 16,612	\$ 20,308	\$ -	\$ 3,289	\$ 4,910	\$ -	\$ 45,119

**Township of Surrey**  
**General Fund**  
**Balance Sheet**  
**June 30, 2004 and 2003**

<b>Assets</b>		<b>2004</b>	<b>2003</b>
Cash		\$ 207,424	\$ 330,385
Certificates of deposit		103,703	101,942
Due from other governmental units		39,463	37,814
Due from other funds		-	6,943
Prepaid expense		9,057	-
<b>Total assets</b>		<b>\$ 359,647</b>	<b>\$ 477,084</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable		\$ 5,351	\$ 9,893
<b>Fund balance</b>			
Unreserved		354,296	467,191
<b>Total liabilities and fund balance</b>		<b>\$ 359,647</b>	<b>\$ 477,084</b>

**Township of Surrey**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Revenues		
Taxes	\$ 88,028	\$ 79,184
License and permits	3,548	2,410
State shared revenue	201,212	211,534
Charges for services	9,800	11,417
Interest income	6,063	9,432
Other revenue	5,368	10,070
Total revenues	<u>314,019</u>	<u>324,047</u>
Other financing sources		
Transfers from other funds	<u>-</u>	<u>28,250</u>
Total revenues and other financing sources	<u>314,019</u>	<u>352,297</u>
Expenditures		
General government	187,554	192,469
Public works	187,396	38,072
Other expenditures	35,498	42,617
Total expenditures	<u>410,448</u>	<u>273,158</u>

**Township of Surrey**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Other financing uses		
Transfer to capital projects fund	<u>16,466</u>	<u>15,000</u>
Total expenditures and other financing uses	<u>426,914</u>	<u>288,158</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(112,895)	64,139
Fund balance - beginning	<u>467,191</u>	<u>403,052</u>
Fund balance - ending	<u><u>\$ 354,296</u></u>	<u><u>\$ 467,191</u></u>

**Township of Surrey**  
**General Fund**  
**Detail Statement of Revenues**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Taxes</b>		
Current property taxes	\$ 48,103	\$ 46,843
Swamp land tax	347	694
Administration fees	32,466	25,045
Special assessments	7,112	6,602
	<u>88,028</u>	<u>79,184</u>
<b>Licenses and permits</b>		
Zoning permits	3,028	2,050
Land division applications	520	360
	<u>3,548</u>	<u>2,410</u>
<b>State revenue</b>		
State right of way sharing	3,395	964
State shared revenue	197,817	210,570
	<u>201,212</u>	<u>211,534</u>
<b>Charges for services</b>		
Copies	160	74
Cemetery lots	2,975	4,087
Cemetery foundations	1,790	693
Cemetery openings	4,875	6,225
Miscellaneous	-	338
	<u>9,800</u>	<u>11,417</u>

**Township of Surrey**  
**General Fund**  
**Detail Statement of Revenues**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Interest income	<u>6,063</u>	<u>9,432</u>
Other revenue		
Rents and royalties	685	690
Reimbursements	10	2,888
Miscellaneous	<u>4,673</u>	<u>6,492</u>
Total other revenue	<u>5,368</u>	<u>10,070</u>
Total revenues	<u>314,019</u>	<u>324,047</u>
Other financing sources		
Transfers from other funds	<u>-</u>	<u>28,250</u>
Total revenues and other financing sources	<u><u>\$ 314,019</u></u>	<u><u>\$ 352,297</u></u>

**Township of Surrey**  
**General Fund**  
**Statement of Expenditures**  
**For the Years Ended June 30, 2004 and 2003**

	2004	2003
General government		
Township board	\$ 84,904	\$ 81,294
Supervisor (Assessor)	37,823	41,193
Elections	413	5,063
Clerk	22,344	17,693
Board of review	1,053	700
Treasurer	20,683	14,701
Township hall	20,334	31,825
Total general government	187,554	192,469
Public works		
Cemetery	33,044	21,553
Roads, highways and street lights	149,254	11,265
Sanitary landfill	5,098	5,254
Total public works	187,396	38,072
Other expenditures		
Public Safety	15,600	-
Recreation	2,115	2,025
Planning and zoning	17,783	40,592
Total other expenditures	35,498	42,617
Total expenditures	410,448	273,158
Other financing uses		
Transfers to other funds	16,466	15,000
Total expenditures and other financing sources	\$ 426,914	\$ 288,158

**Township of Surrey**  
**General Fund**  
**Detail Analysis of Expenditures**  
**For the Years Ended June 30, 2004 and 2003**

	2004	2003
Township board		
Salaries and wages	\$ 4,948	\$ 4,948
Clerical	14,288	13,819
Retirement fund contribution	7,259	6,438
Payroll taxes	7,280	3,663
Operating supplies	944	2,669
Postage and office supplies	11,220	6,411
Auditing fees	9,000	7,035
Legal fees	3,011	5,003
Communications	3,651	5,454
Transportation	439	851
Printing and publishing	1,423	1,570
Insurance and bonds	2,911	1,465
Repairs and maintenance	8,554	6,624
Membership and dues	1,626	1,694
Equipment rental	12	463
Equipment	-	2,039
Education and training	680	2,965
Miscellaneous	7,658	8,183
Total township board	84,904	81,294
Supervisor (Assessor)		
Salaries and wages	8,440	8,440
Assessor	29,217	28,863
Transportation	125	605
Printing and publishing	-	300
Maintenance	41	2,985
Total supervisor (assessor)	37,823	41,193

**Township of Surrey**  
**General Fund**  
**Detail Analysis of Expenditures**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Elections		
Salaries and wages	-	3,931
Office supplies	354	965
Transportation	59	167
Total elections	<u>413</u>	<u>5,063</u>
Clerk		
Salaries and wages	<u>22,344</u>	<u>17,693</u>
Board of review		
Salaries and wages	1,153	700
Printing and publishing	(100)	-
Total board of review	<u>1,053</u>	<u>700</u>
Treasurer		
Salaries and wages	<u>20,683</u>	<u>14,701</u>
Township hall		
Salaries and wages	3,988	3,313
Operating supplies	15	31
Electricity	2,253	2,133
Gas	2,638	3,109
Water	399	359
Repairs and maintenance	450	2,712
Building and equipment	2,966	5,980
Insurance	3,087	3,438
Miscellaneous	4,538	10,750
Total township hall	<u>20,334</u>	<u>31,825</u>

**Township of Surrey**  
**General Fund**  
**Detail Analysis of Expenditures**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cemetery		
Salaries and wages	13,457	14,020
Operating supplies	1,139	1,381
Printing and publishing	46	-
Insurance and bonds	1,544	1,924
Electricity	210	192
Building	10,717	-
Gas	196	235
Repairs and maintenance	5,209	2,996
Miscellaneous	279	293
Equipment	-	61
Gas and oil	247	451
Total cemetery	<u>33,044</u>	<u>21,553</u>
Roads, highways and street lights		
Contracted services	13,143	11,098
Public utilities	78	167
Repairs and maintenance	136,033	-
Total roads, highways and street lights	<u>149,254</u>	<u>11,265</u>
Sanitary landfill		
Maintenance	<u>5,098</u>	<u>5,254</u>
Public safety		
Siren system	<u>15,600</u>	<u>-</u>
Recreation		
Recreation	<u>2,115</u>	<u>2,025</u>

**Township of Surrey**  
**General Fund**  
**Detail Analysis of Expenditures**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Planning and zoning	7,203	7,404
Labor	6,532	4,503
Legal	1,167	365
Printing and publishing	176	314
Transportation	2,529	27,323
Contractual services	7	-
Enforcement costs	169	683
Education and training		
	<u>17,783</u>	<u>40,592</u>
Total planning and zoning		
	410,448	273,158
Total expenditures		
Other financing uses		
Transfers to other funds	<u>16,466</u>	<u>15,000</u>
Total expenditures and other financing uses	<u>\$ 426,914</u>	<u>\$ 288,158</u>

**Township of Surrey**  
**Library Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	2004	2003
Revenues		
State revenue	\$ 9,272	\$ 7,962
Property taxes	150,061	142,948
County penal fines	46,525	51,043
Charges for services	7,221	7,222
Interest income	1,200	2,046
Grants	68,000	2,010
Miscellaneous	1,475	2,637
Total revenues	<u>283,754</u>	<u>215,868</u>
Expenditures		
Wages and benefits	91,670	89,554
Operating supplies	15,932	8,381
Books and periodicals	33,110	40,153
Communications	2,335	3,757
Insurance and bonds	2,259	5,898
Utilities	7,581	7,856
Repairs and maintenance	4,836	2,844
Equipment purchases	68,531	8,981
Membership dues	4,093	5,141
Training and education	486	345
Building Fund	20,538	62,047
Miscellaneous	798	2,904
Total expenditures	<u>252,169</u>	<u>237,861</u>
Excess (deficiency) of revenues over expenditures	31,585	(21,993)
Fund balance - beginning	102,199	124,192
Fund balance - ending	<u>\$ 133,784</u>	<u>\$ 102,199</u>

**Township of Surrey**  
**Fire Protection Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	2004	2003
<b>Revenues</b>		
Property taxes	\$ 165,043	\$ 156,262
Equipment sales	150	1,800
Charges for services	31,282	20,697
Interest income	734	1,530
Grants	47,106	-
Donations	1,000	-
Miscellaneous	853	345
<b>Expenditures</b>		
Wages and benefits	46,272	39,449
Office supplies	1,099	1,414
Operating supplies	2,775	2,561
Oil and gas	2,300	1,798
Communication	2,494	1,851
Insurance	13,256	16,342
Repairs and maintenance	32,799	12,748
Equipment	63,496	21,420
Dues	75	95
Utilities	5,033	5,309
Audit	200	628
Legal	513	-
Transportation	66	593
Miscellaneous	791	3,226
Education and training	1,867	3,871
Publishing and printing	45	98
Firemen's physicals	2,090	2,114
Debt payments	258,917	26,139

**Township of Surrey**  
**Fire Protection Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Interest	<u>14,356</u>	<u>11,370</u>
Total expenditures	<u>448,444</u>	<u>151,026</u>
Other financing uses		
Transfer to general fund	-	28,250
Transfer to capital projects fund	<u>16,466</u>	<u>15,000</u>
Total expenditures and other financing uses	<u>464,910</u>	<u>194,276</u>
(Deficiency) of revenues and other financing sources over expenditures and other financing uses	(12,831)	(13,642)
Fund balance - beginning	<u>121,357</u>	<u>134,999</u>
Fund balance - ending	<u><u>\$ 108,526</u></u>	<u><u>\$ 121,357</u></u>

**Township of Surrey**  
**Rubbish Collection Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 104,832	\$ 103,131
Interest income	625	1,044
	<u>105,457</u>	<u>104,175</u>
Total revenues		
Expenditures		
Transfer station contractual	68,317	87,169
Office supplies	-	307
Printing and publishing	1,782	1,448
Insurance	1,744	715
Repair and maintenance	2,293	1,549
	<u>74,136</u>	<u>91,188</u>
Total expenditures		
Excess of revenues over expenditures	31,321	12,987
Fund balance - beginning	<u>73,076</u>	<u>60,089</u>
Fund balance - ending	<u><u>\$ 104,397</u></u>	<u><u>\$ 73,076</u></u>

**Township of Surrey**  
**Fiduciary Fund**  
**Tax Collection Fund**  
**Statement of Changes Fiduciary Assets and Liabilities**  
**June 30, 2004**

		Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Tax Collection Fund					
	<b>Assets</b>				
Cash		\$ -	\$ 2,095,586	\$ 2,085,333	\$ 10,253
	<b>Liabilities</b>				
Due to other governmental units		\$ -	\$ 2,095,586	\$ 2,085,333	\$ 10,253



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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

To the Membership of the Township Council  
Surrey Township  
Clare County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Surrey Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Surrey Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Surrey Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and others within the organization, Township Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Midland, Michigan  
September 13, 2004